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Q&A: What nationalisation is and how Northern Rock customers will be affected

Last updated at 00:25 18 February 2008

What exactly is nationalisation?

This involves the Government taking a privately- owned business into public ownership.

It is extremely rare and embarrassing for Labour.

Why announce it on a Sunday afternoon?

The Chancellor had to act before the Stock Exchange opens this morning.

The shares of Northern Rock will be suspended before trading begins.

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What about my savings with the Rock?

Don't panic. More than a million investors still have savings with the bank ? and they are completely safe.

All money has been guaranteed by the Government since September.

In fact, this means your savings are more secure than with any other bank or building society, which does not have such a guarantee.

I'm mortgaged with them. Will I lose my home?

No. You must simply continue to pay your monthly mortgage repayments as normal.

The owners of your mortgage lender will change, but nothing else.

Can I visit my local branch or the website today?

Yes, you can. All 76 branches will be open as normal, as will the website. **What about the bank's 180,000 shareholders?**

They will be the biggest losers in this crisis. Last year, the shares were worth more than £12.30.

On Friday, they were trading at 90p.

They will be suspended at this price which means nobody will be able to sell them.

About 80 per cent are private shareholders, mostly recipients of free "windfall" shares when the former building society became a bank in October 1997.

About 20 per cent are institutional shareholders, typically large investment firms or hedge funds.

Will they get their money back?

The Treasury will appoint an "independent valuer", probably a firm of accountants, to decide how much compensation should be paid.

Shareholders will be lucky to get any as the business ? without the Government guarantees ? is worth very little.

Will the Chancellor run the bank?

No. Alistair Darling has appointed one of Britain's best-known troubleshooters, Ron Sandler, who rescued the stricken insurer Lloyd's of London, to be executive chairman of the bank.

He will be paid the staggering sum of £90,000 a month for his trouble.

How long will this last?

The Government will be desperate to get rid of the embarrassment of a "nationalised" bank ? but it will not be easy.

As the past few months has demonstrated, finding a buyer who is prepared to make a decent offer has been impossible, and may continue to prove to be.

Mr Darling's insistence of "temporary public ownership" might prove wishful thinking.

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Published by Associated Newspapers Ltd

Part of the Daily Mail, The Mail on Sunday & Metro Media Group

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